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R 260240Z JAN 06
FM AMEMBASSY COLOMBO
TO RUCPDOG/USDOC WASHDC
RUCPCIM/CIMS NTDB WASHDC
INFO RUEHC/SECSTATE WASHDC 2445
RUEHNE/AMEMBASSY NEW DELHI 9216
RUEHKA/AMEMBASSY DHAKA 8878
RUEHIL/AMEMBASSY ISLAMABAD 5763
RUEHKT/AMEMBASSY KATHMANDU 3797
RUEHCG/AMCONSUL CHENNAI 6317
RUEHLMC/MILLENNIUM CHALLENGE CORP

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SUBJECT: IMI TELECOMMUNICATIONS OPPORTUNITIES IN SRI LANKA

11. SUMMARY: THE GROWTH IN SRI LANKA'S TELECOMMUNICATIONS INDUSTRY IS EXPECTED TO ACCELERATE IN THE COMING MONTHS WITH THE INTRODUCTION OF THIRD GENERATION (3G) MOBILE SERVICES. THE RECENT INTRODUCTION OF CDMA TECHNOLOGY IN THE FIXED WIRELINE MARKET HAS ALSO BEEN A SUCCESS. IN ADDITION, SRI LANKA'S ACCESS TO INTERNATIONAL BANDWIDTH IS SET TO IMPROVE SIGNIFICANTLY WITH THE RECENT COMMISSIONING OF SEA-ME-WE 4 FIBER OPTIC CABLE. THESE DEVELOPMENTS WILL PRESENT OPPORTUNITIES TO US TELECOMMUNICATIONS EQUIPMENT, TECHNOLOGY AND SERVICES COMPANIES TO MARKET THEIR PRODUCTS AND TECHNOLOGIES IN THE SRI LANKAN MARKET. END SUMMARY.

12. SRI LANKA'S TELECOMMUNICATIONS INDUSTRY HAS RECORDED SUBSTANTIAL GROWTH IN THE PAST FEW YEARS. IN 2004, THE TELECOM SECTOR GREW BY 32 PERCENT. THE GROWTH HAS BEEN DUE TO PRIVATE SECTOR PARTICIPATION, RAPIDLY EXPANDING MOBILE MARKET, NEW TECHNOLOGY AND ENHANCED NETWORK COVERAGE. IN THE LATE 1990S, SRI LANKA WAS THE FIRST IN SOUTH ASIA TO INTRODUCE SECOND GENERATION DIGITAL COMMUNICATION SYSTEMS (2G), SUCH AS GLOBAL SYSTEM FOR MOBILE COMMUNICATION (GSM), AUTOMATIC INTERNATIONAL ROAMING, SHORT MESSAGING SERVICES (SMS), WIRELESS APPLICATION PROTOCOL MOBILE INTERNET (WAP) AND GENERAL PACKET RADIO SERVICE (GPRS). SINCE THEN, OPERATORS HAVE INTRODUCED NEW TECHNOLOGIES SUCH AS DUAL BAND AND MULTI MEDIA MESSAGING SERVICES (MMS). THE ROBUST GROWTH IN TELECOMMUNICATIONS IS LIKELY TO CONTINUE OVER THE NEXT 3-4 YEARS DRIVEN BY STRONG GROWTH IN MOBILE SERVICES AND NEW TECHNOLOGIES. THE PRIVATE SECTOR IN GENERAL AND A SMALL BUT A GROWING BUSINESS PROCESS OUTSOURCING INDUSTRY AND A SOFTWARE DEVELOPMENT INDUSTRY ARE ALL FUELING DEMAND FOR SOPHISTICATED TELECOMMUNICATIONS SERVICES. THERE ARE THREE FIXED LINE OPERATORS, FOUR MOBILE OPERATORS AND SEVERAL PROVIDERS OF DATA AND INTERNET SERVICES (ISP).

13. SRI LANKA INTRODUCED CODE DIVISION MULTIPLE ACCESS (CDMA) TECHNOLOGY IN 2005. THE GOVERNMENT ALLOCATED CDMA SPECTRUM TO THE THREE FIXED LINE OPERATORS, SRI LANKA TELECOM (SLT), SUNTEL LTD AND LANKA BELL. THE INITIAL ROLL OUT OF CDMA SERVICES HAS BEEN A SUCCESS. LANKA BELL, THE FIRST TO LAUNCH CDMA SERVICES, HAS ADDED 100,000 NEW SUBSCRIBERS WITHIN THE FIRST 8 MONTHS OF THE LAUNCH. THE COMPANIES ARE ALSO PROVIDING HIGH SPEED WIRELESS DATA USING CDMA TECHNOLOGY. THE CDMA LAUNCH IS OF SPECIAL INTEREST TO THE US, AS THE INTELLECTUAL PROPERTY RIGHTS (IPR) FOR CDMA TECHNOLOGY IS HELD BY A US COMPANY - QUALCOMM.

14. 3G LICENCES: SRI LANKA IS LIKELY TO ISSUE ITS FIRST

COMMERCIAL THIRD GENERATION (3G) MOBILE LICENSE IN EARLY 2006. CURRENTLY, DIALOG TELEKOM, THE LARGEST MOBILE OPERATOR, HAS BEEN ISSUED A 3G TEST LICENSE. THE TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA (TRC) RECENTLY CONDUCTED AN INITIAL PUBLIC CONSULTATION ON THE ISSUANCE OF 3G MOBILE LICENSES. THE TRC ESTIMATES THAT CONSUMER DEMAND FOR HIGH SPEED SERVICES INCLUDING BROADBAND APPLICATIONS LIKE VIDEO CALLING, MULTIMEDIA SERVICES AND HIGH SPEED INTERNET ACCESS WILL EXCEED THE CAPABILITIES OF CURRENT SECOND GENERATION (2G) AND SECOND AND HALF GENERATION (2.5G) MOBILE SERVICES AVAILABLE IN SRI LANKA. THE DRAFT 3G PLAN PROPOSES TWO 3G MOBILE NETWORKS BY EXISTING OPERATORS TO BE LAUNCHED IN 2006 AND TO OPEN 3G SERVICES TO ADDITIONAL OPERATORS SUBSEQUENTLY IN MID 2007.

15. TELECOM COMPANIES ARE ALSO ADOPTING OTHER NEW TECHNOLOGIES. FOR INSTANCE, THE SLT IS TO LAUNCH A WIRELESS INTERNET (WIMAX) NETWORK WITHIN THE NEXT TWO YEARS. TRC HAS ISSUED A TEST LICENSE TO SLT FOR THIS PURPOSE.

16. INTERNATIONAL BANDWIDTH: SRI LANKA WILL BENEFIT FROM ACCESS TO SEA-ME-WE 4 INTERNATIONAL FIBER OPTIC SUBMARINE CABLE WHICH CONNECTS SOUTH EAST ASIA TO EUROPEAN COUNTRIES THROUGH THE INDIAN SUBCONTINENT AND MIDDLE EAST. THE SEA-ME-WE 4 WAS LAUNCHED ON NOVEMBER 22, 2005. ACCORDING TO SLT, A SHAREHOLDER OF THE SEA-ME-WE 4, THE CABLE WILL PROVIDE ACCESS SPEEDS FOUR TIMES HIGHER THAT OF THE CURRENT SEA-ME-WE 3 CABLE. SRI LANKA'S LARGEST MOBILE OPERATOR DIALOG TELEKOM IS ALSO A SHAREHOLDER OF THE NEW CABLE SYSTEM THROUGH ITS PARENT COMPANY TELEKOM MALAYSIA (TM). IN ADDITION, A SUBMARINE CABLE SYSTEM CONNECTING

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SOUTH INDIA TO COLOMBO IS ALSO UNDERWAY. THE SLT HAS SIGNED AN AGREEMENT WITH BHARAT SANCHAR NIGAM LTD (BSNL) OF INDIA FOR THIS PURPOSE. IT WILL IMPROVE CONNECTIVITY BETWEEN THE TWO COUNTRIES AND PROVIDE BSNL WITH ADDITIONAL INTERNATIONAL BANDWIDTH THROUGH SRI LANKA. IT IS ESTIMATED THAT THE SEA-ME-WE 4 CABLE SYSTEM ALONG WITH SATELLITE CONNECTIVITY WOULD PROVIDE SRI LANKA ADEQUATE CAPACITY TO MEET FUTURE DEMAND FOR INTERNATIONAL BANDWIDTH.

17. THESE DEVELOPMENTS ARE LIKELY TO EXPAND TELECOMMUNICATION SERVICES IN SRI LANKA AND PRESENT BUSINESS OPPORTUNITIES FOR U.S. TELECOMMUNICATIONS EQUIPMENT, TECHNOLOGY AND SERVICES PROVIDERS.

18. RESOURCES:

The Telecommunications Regulatory Commission of Sri Lanka
www.trc.gov.lk
SRI LANKA TELECOM WWW.SLT.LK
DIALOG TELEKOM WWW.DIALOGTELEKOM.COM
Celltel www.celltel.lk
Suntel www.suntel.lk
Lanka Bell www.lankabell.net
Mobitel www.mobitellanka.com
Eureka www.eureka.lk
Lanka Internet www.lisl.lanka.net

19. Comment: While direct investment opportunities in the telecommunications sector (e.g., fixed line, mobile or internet service providers) are likely to be limited due to the presence of a relatively large number of providers, the developments in the telecommunications sector present excellent marketing opportunities for US companies to sell telecommunications equipment and technology.

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